



**4310-MR-P**

**DEPARTMENT OF THE INTERIOR**

**Bureau of Ocean Energy Management**

**30 CFR Parts 550 and 556**

**[MMAA104000]**

**Notice of Availability of Notice to Lessees and Operators of Federal Oil and Gas, and Sulfur Leases, and Holders of Pipeline Right-of-Way and Right-of-Use and Easement Grants in the Outer Continental Shelf – Requiring Additional Security**

**AGENCY:** Bureau of Ocean Energy Management (BOEM), Interior.

**ACTION:** Notice of availability.

**SUMMARY:** The Bureau of Ocean Energy Management (BOEM) is announcing the availability of a guidance document entitled, “Notice to Lessees and Operators of Federal Oil and Gas, and Sulfur Leases, and Holders of Pipeline Right-of-Way and Right-of-Use and Easement Grants in the Outer Continental Shelf - Requiring Additional Security” (NTL No. 2016-N01).

**DATES:** This guidance document will become effective on September 12, 2016.

**FOR FURTHER INFORMATION CONTACT:** Robert Sebastian, Office of Policy, Regulation and Analysis at (504) 736-2761 or email at [robert.sebastian@boem.gov](mailto:robert.sebastian@boem.gov).

**SUPPLEMENTARY INFORMATION:**

**I. Background**

The Bureau of Ocean Energy Management (BOEM) issues Notices to Lessees (NTL) as guidance documents in accordance with 30 CFR 550.103 to clarify and provide more detail about certain BOEM regulatory requirements, and to outline the information to be provided in various

submittals. Under that authority, NTL No. 2016-N01, *Requiring Additional Security*, sets forth a policy on, and an interpretation of, regulatory requirements to provide a clear and consistent approach for complying with those requirements.

BOEM is issuing this NTL to clarify the procedures and criteria that BOEM Regional Directors use to determine if and when additional security, pursuant to 30 CFR 556.901(d)-(f), may be required for Outer Continental Shelf (OCS) leases, pipeline rights-of-way (ROW), and rights-of-use and easement (RUE). The guidance and clarification of requirements described in this NTL apply to all BOEM regions. This NTL has also been reformatted, revised, and updated to include correct Bureau names, citations, and web addresses. This NTL supersedes and replaces NTL No. 2008-N07, *Supplemental Bond Procedures*.

This NTL details several changes in policy that are within the scope of the existing regulations and the discretion vested in the BOEM Regional Directors. First, BOEM has determined that its previously utilized formulas for determining financial strength and reliability are outdated and no longer provide sufficient protection for liabilities incurred during OCS operations. Therefore, this NTL describes new criteria that will be used to determine the financial ability of a lessee, ROW holder, or RUE holder to carry out its obligations, and addresses the possibility of individually tailoring a plan to enable the lessee, ROW holder, or RUE holder to use one or more forms of security other than surety bonds and pledges of Treasury securities and/or to phase-in compliance with the additional security requirement pursuant to such a plan. In addition, the current self-insurance upper limit of 50% of a lessee's net worth is being reduced and will range from 0% to no more than 10% of a lessee's "tangible net worth" as defined in the NTL.

Second, this NTL discontinues two policies under NTL No. 2008-N07: (1) if BOEM determined that one or more co-lessees or co-owners had sufficient financial strength and reliability, it was not necessary to provide additional security; and (2) for the purpose of determining the requirement for additional security, BOEM excluded from its decommissioning liability calculation the full amount of the decommissioning liability on leases, ROWs, and RUEs for which there was at least one financially strong co-lessee or co-owner. Thus lessees will no longer be granted waivers from the additional security obligations, and BOEM is discontinuing the policy of considering the combined strength and reliability of co-lessees when determining a lessee's additional security requirements. Now, when determining the amount of additional security that may be required, the Regional Director will consider whether each lessee, ROW holder, or RUE holder is capable of addressing the responsibility for 100 percent of the cost of decommissioning and other liability for every lease, ROW, and RUE in which the lessee, ROW holder, or RUE holder holds an ownership interest or for which they provide a guarantee. In order to meet all or a portion of the additional security required for any one lease, ROW, or RUE, BOEM will take into account enforceable agreements that lessees, ROW holders or RUE holders have made with their co-lessees or co-owners regarding the allocation of security obligations to such lease, ROW, or RUE.

## **II. Electronic Access**

NTL No. 2016-N01 is available on BOEM's Web site at:

<http://www.boem.gov/Notices-to-Lessees-and-Operators/>.

**AUTHORITY:** This document is published pursuant to the Outer Continental Shelf Lands Act of August 7, 1953; 43 U.S.C. 1331 et seq., as amended, and the implementing regulations at 30 CFR 550.103.

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